

**MINUTES  
of the  
FIRST MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**June 14, 2007  
Room 307, State Capitol**

The first meeting of the economic and rural development committee was called to order by Senator Bernadette M. Sanchez, chair, on June 14, 2007 at 10:16 a.m. at the State Capitol in Santa Fe.

**Present**

Sen. Bernadette M. Sanchez, Chair  
Rep. Mary Helen Garcia, Vice Chair  
Rep. Richard J. Berry  
Rep. Jose A. Campos  
Rep. Ernest H. Chavez  
Sen. Dianna J. Duran  
Sen. Phil A. Griego  
Rep. Dianne Miller Hamilton  
Sen. Clinton D. Harden, Jr.  
Rep. Patricia A. Lundstrom  
Sen. Richard C. Martinez

**Advisory Members**

Rep. Nathan P. Cote  
Rep. Nora Espinoza  
Rep. Daniel R. Foley  
Rep. William J. Gray  
Rep. John A. Heaton  
Rep. Andy Nuñez  
Rep. John Pena  
Sen. John C. Ryan

**Staff**

Kate Ferlic  
Larry Matlock  
Gordon Meeks  
Randi Johnson

**Absent**

Rep. Andrew J. Barreras  
Sen. Mary Jane M. Garcia  
Rep. Brian K. Moore  
Sen. John Pinto  
Sen. William E. Sharer

Sen. Stuart Ingle  
Sen. Timothy Z. Jennings  
Sen. Carroll H. Leavell  
Rep. James Roger Madalena  
Sen. Steven P. Neville  
Sen. Lidio G. Rainaldi  
Sen. Shannon Robinson  
Rep. Debbie A. Rodella  
Rep. Richard D. Vigil

## **Guests**

The guest list is in the meeting file.

## **Thursday, June 14**

Senator Sanchez welcomed committee members and guests.

### **Legislative Council Service, Kate Ferlic**

Ms. Ferlic, LCS staff attorney, provided the committee with the 2007 legislative summary, including an overview of all house and senate bills endorsed by the committee last interim.

### **Economic Development Department Update and Introduction**

Secretary of Economic Development Fred Mondragon provided the committee with an introduction to the overview of New Mexico's economic development initiatives for 2007. First, he explained the economic development model that includes resources (infrastructure, incentives, trained workforce, quality of life); strategies (recruitment, retention, expansion, start-ups); and goals (jobs, wealth, and tax revenues). This model is used to create an ever upward spiral of job creation and wealth.

Second, the secretary informed the committee of his departmental priorities, which include visiting all communities and meeting with economic development people; continuing to support the national laboratories to ensure their survival and growth as well as building a technology-based economy around them; community development and capacity-building; film and media expansion; international trade and foreign direct investment; focusing on small business centers; working on sustainable economic development because energy and alternative energy product production and development companies are key areas of growth; and encouraging public and private partnerships.

### **Economic Development Department Update**

Deputy Secretary of Economic Development Kelly O'Donnell provided the overview of New Mexico's economic development plan for 2007. She noted that New Mexico is in an exceptionally good place for economic development. New Mexico was fifth in personal income growth and fifth in economic growth, with a general trend upward. The deputy secretary outlined New Mexico's recruitment successes, which include companies such as Merillat, Tempur-pedic, Union Pacific Railroad, LoPresti Fury and Tesla Motors & Convergys. By attracting these companies, the department created 18,000 jobs in four years, with 45% in rural communities.

The job training incentive program (JTIP) was noted as a critical program for expansion and retention of New Mexico businesses. \$2.8 million was allocated for rural areas where 522 jobs were created last year with an average wage of \$11.00 per hour. The economic development division created 10 new LEDA communities, 30 new businesses in the REAP process and 10 more certified communities and funded 50 cooperative advertising projects and 70 JTIP projects.

The office of international trade accomplished seven international transactions; conducted 341 consulting sessions with New Mexico businesses; provided the access Asia-Pacific workshop; went on the access Asia-Pacific business development mission to Hong Kong and Singapore; provided the access India workshop; went on the access India business development mission to Dheli, Bangalore and Chennai; and plans to provide the focus Japan program. In FY08, the department plans to focus outreach and marketing to New Mexico companies; target efforts to recruit foreign investment; direct partnerships; and enhance trade promotion efforts with missions to Japan, Taiwan, Hong Kong, China and the Middle East. Matthew Woodle, director of the office of international trade, shared with the committee that pecan exports to China were a great success, and that there are many New Mexico products that are exportable due to places in Asia with low concentrations of available land. He explained that his office instructs companies how to export New Mexico products, noting that there is not currently a representative in Chihuahua, Mexico, but the office of Mexican affairs works closely with that area.

It is also a top priority to support industry cluster growth, including film and digital support companies and clean and renewable energy support companies. The department is hoping to attract these companies with tax credits and other benefits. With the same type of incentives, the department aims to bring more aerospace and aircraft manufacturing support companies and financial or information service support companies. The deputy secretary suggested a deduction for administrative fees associated with mutual and hedge funds, thus creating a more desirable environment for this type of business by reducing tax burdens.

Recruitment and expansion tools are essential and there was an aggressive tax package passed last year. For example, the sunset date was removed from the rural jobs tax credit; the border zone trade exemption was extended to 2013; the sunset date was removed from the high wage jobs tax credit; and the film production tax credit was increased to 25%. New incentives to consider include: the advanced energy product manufacturers tax credit; the locomotive fuel gross receipts and compensating tax exemption; the angel investment credit; and the financial management tax credit.

Rural banks legislation was also discussed. This would allow the state treasurer to accept one point less than market rate on its CD investments, providing an incentive for banks in the smallest rural villages to remain in those communities profitably. A tax credit of up to \$25,000 was recommended.

The deputy secretary concluded her presentation by discussing the 2008 legislative session preliminary priorities for the department. These priorities will include revisions to the high wage jobs tax credit, continued progress at Spaceport America, a capital outlay incentives fund of \$1 million and increased funding for JTIP, the business incubator program and the SmartMoney program.

Additionally, the committee requested the deputy secretary to explain in more detail that

a business incubator is a facility where a business can come in and get core services (legal, financial, planning) that are located in one building, and the business is provided modest rent costs for office space. The incubators provide a place where businesses can start up and receive assistance and these businesses have an 85% higher success rate than companies not in incubators. The committee requested a list of locations of the business incubators. The committee requested that frontier areas be a funding priority for program assistance.

The committee talked about the recent Intel job cuts, and the deputy secretary noted that New Mexico is actually facing a massive labor shortage, so many of the Intel employees should be able to find other work. However, the deputy secretary noted that collateral businesses that feed Intel employees will face challenges due to the job cuts as well. Start-up businesses can come to the department to see if they qualify for JTIP, but existing businesses are going to be challenged. Additionally, the committee discussed the film tax credit and Lionsgate's plans to build a studio in Rio Rancho. The department will check into the status of the studio and report back to the committee in July.

The committee expressed concern about the lack of agricultural jobs in the computation of statistics of performance measures. The deputy secretary noted that the statistics are based on economic-based businesses, such as manufacturing and exports, and certain agricultural performance measures are not included because they are defined as economic entities. Year-round agricultural entities will count toward performance measures. In discussing agriculture, the committee mentioned that economic growth in New Mexico is dependent upon the water, highway and health care infrastructures. Infrastructure is critical in order to move goods up and down the roads and there is a need for better highways. The committee suggests rethinking the definition of agriculture regarding job growth and performance measures.

Further, the committee requested a list of rural banks and questioned how the department defines success, because some legislators do not think there have been results. The secretary responded that every county has seen improvement, including rural counties. In the last year, 1,600 additional jobs have been created. The committee also discussed how to measure the success of the tax incentives that are passed. The deputy secretary outlined how JTIP has started matching records against labor department records and the study shows participation is helping New Mexico businesses go further. The committee stressed that tax data be available in order to analyze the success of programs.

In terms of concerns, the committee discussed the difficulty small businesses face when trying to secure funding, and suggested a portfolio be compiled with information on financing mechanisms, incentive programs and other resources available to businesses. Other topics the committee would like to address over the interim include transmission lines, a portfolio standard on renewable energy, uranium mining and major league baseball. Lastly, the committee requested that the department develop a standard definition for rural and urban.

## **2007 Interim Work Plan and Meeting Schedule Development**

Ms. Ferlic outlined the work plan, which is to include an evaluation of the efficacy of the business incentives that have been enacted by the legislature in the past decade, identification of commerce-friendly incentives for new businesses and sustaining and cultivating existing business. Other topics include training and education programs, the needs of rural communities, oversight of efforts of the economic development department and tourism department, issues regarding sub-prime mortgage lending and car title lending, changes of workers' compensation as initiated by the courts and, finally, methods of attracting new investment.

The committee suggested adding an item regarding the regulatory process for oil and gas, because the regulations have become extremely restrictive and this has a negative impact on business development. The committee also suggested adding workforce training and high school vocational education to complement the educational priority on the work plan. Biodiesel and transmission lines were miscellaneous topics mentioned.

Lastly, the committee discussed meeting dates and locations, concluded that the committee will meet in Bernalillo in July and requested permission from the Legislative Council to meet in Silver City in October.

The committee adjourned at 12:50 p.m.